

Message Text

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ACTION EA-10

INFO OCT-01 AF-06 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 AID-05 COME-00 TRSE-00 CIEP-01 OMB-01

CG-00 DOTE-00 FMC-01 SAM-01 SAI-01 NSCE-00 /090 W

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R 240445Z APR 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4683

INFO USLO PEKING

AMEMBASSY MOGADISICO

AMEMBASSY NAIROBI

AMEMBASSY PARIS

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L HONG KONG 4408

E.O. 11652: GDS

TAGS: EWWT, PFOR, SO, CH, HK

SUBJECT: CANCELLATION OF SOMALI FLAG SHIPPING: IMPLICATIONS
FOR PRC

REF: MOGADISICO 0584

1. THE TWO PRC-CONTROLLED SHIPPING COMPANIES IN HONG KONG, YICK FUNG SHIPPING AND ENTERPRISE CO. AND OCEAN TRAMPING CO., AT PRESENT OWN AND OPERATE 102 FOREIGN FLAG VESSELS, 100 OF WHICH ARE OF SOMALI REGISTRY. SEVERAL SHIPPING SOURCES IN HONG KONG THINK THAT IF THE SOMALI FLAG WERE NO LONGER AVAILABLE, THE PRC MIGHT ATTEMPT TO ABSORB THESE SHIPS UNDER PRC REGISTRY RATHER THAN SEEK ANOTHER FLAG OF CONVENIENCE. HOWEVER, A PRECIPITOUS CANCELLATION OF THE SOMALI FLAG OF CONVENIENCE WOULD OBVIOUSLY CAUSE THE PRC SOME INCONVENIENCE.

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2. OVER THE PAST YEAR BOTH COMPANIES HAVE BEEN GRADUALLY TRANSFERRING A FEW VESSELS A MONTH TO PRC REGISTRY, AND, IN ESSENCE, THE COMPANIES SEEM TO SERVE AS INTERIM WAY-STATIONS FOR VESSELS DESTINED FOR EVENTUAL PRC OWNERSHIP. GRADUAL WITHDRAWAL OF THE SOMALI FLAG MIGHT THEREFORE ONLY SPED UP AN ALREADY EXISTING PROCESS. BECAUSE OF LEGAL AND REGULATORY REQUIREMENTS (EITHER PRC OR THIRDCOUNTRY), HOWEVER, THE PRC MIGHT FACE SOME SHORT-RUN DIFFICULTY IN CREWING THESE VESSELS. AT PRESENT THE CREWS FOR THESE VESSELS COME FROM THE HONG KONG SEAMAN'S UNION, WHICH IS COMMUNIST-CONTROLLED.

3. CURRENT PRC POLICY APPEARS TO BE TO CREW PRC-FLAG VESSELS WITH PRC NATIONALS. WE HAVE NO INFORMATION REGARDING THE DEGREE OF FLEXIBILITY PEKING WOULD BE WILLING TO EXERCISE IF IT HAD TO SUDDENTLY ABSORB A SIGNIFICANT NUMBER OF ADDITIONAL VESSELS INTO ITS MERCHANT FLEET. THE PROBLEM WOULD BE MORE ACUTE FOR MASTERS, MATES, CHIEF ENGINEERS, AND SO FORTH, WHO ARE ALREADY SHORT OF THE NUMBERS NEEDED TO STAFF SHIPS THE PRC ITSELF IS PRODUCING.

4. THE OTHER OPTION, WHICH MIGHT PROVE EASIER TO IMPLEMENT, WOULD BE TO SEEK ANOTHER FLAG OF CONVENIENCE. IN THIS CASE THE PRC WOULD PROBABLY ATTEMPT TO STAY WITH A FLAG THAT GAVE IT MAXIMUM FLEXIBILITY IN SELECTING CREWS.

5. THE PRC'S REACTION WOULD PROBABLY ENCOMPASS A MIX OF THESE OPTIONS INVOLVING ABSORPTION OF A PART OF ITS SOMALI FLAG FLEET, ATTEMPTING TO SHIFT TO ANOTHER FLAG OF CONVENIENCE THAT PART WHICH IT NEEDED TO USE IMMEDIATELY AND COULD NOT ABSORB, AND ALLOWING SOME OTHER VESSELS TO REMAIN IDLE UNTIL AN ADJUSTMENT IN STATUS COULD BE WORKED OUT. IN SUM, WE FEEL THE PRC WOULD BE ABLE TO ADJUST (WITH SOME INCONVENIENCE) TO THE NEW SITUATION EVEN IF FACED WITH AN ABRUPT CANCELLATION OF THE SOMALI FLAG.
CROSS

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